

Compensation Program Overview



Presented to Division Directors
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March 12, 2002

Update on Compensation Certification

- DOE review and evaluation of the ANL Compensation Program Self-Assessment complete.
- DOE approval received on February 8, 2002. The DOE review was very positive and noted a few relatively minor weaknesses.
- University of Chicago Board of Governors continues to review and approve Key Personnel compensation and annual increase funds and salary ranges.

What does DOE Approval Mean?

- Approval is valid through September 30, 2004
- Significant changes made to the compensation program will require Contracting Officer approval.
- DOE approval for compensation actions will be limited to individuals identified in Appendix F - Key Personnel of the Prime Contract.
- Annual Compensation Increase Plan will continue to be exempt from DOE approval.

What does DOE Approval Mean?

- Prior to certification requirement ANL operated under “pilot program.” with same flexibility.
- Lack of certification would have required return to prescriptive DOE approvals.
- Two other Labs are “certified.” Oak Ridge (late '80s) and Sandia (early '90s).

Self-Assessment

- Self-Assessment consisted of eight program elements as defined in Appendix A of the Prime Contract.
- Each element was evaluated on its:
 - Description
 - Validation
 - Findings
 - Recommendations
 - Conclusion
- Some of the major elements covered in the self-assessment follow:

Compensation Philosophy

- The compensation program is designed to attract, retain, and motivate qualified employees of a caliber in keeping with the Laboratory's objective of striving for excellence.

Fundamental Principles

- Internal Equity -- Pay employees fairly in relation to other employees performing similar jobs.
- Competitive Pay -- Pay salaries that are competitive with similar jobs being performed outside Argonne.
- Pay for Performance -- Reward employees on the basis of how well they perform their jobs.

Internal Equity

- Defined as the proper positioning of jobs in relation to other jobs.
- Job Evaluation is the system used to make sure job grades compare equitably among employees doing similar work.
- Pay equity is defined as comparable salaries given comparable credentials.

Competitive Pay

- Salary Ranges with a minimum, midpoint, and maximum dollar value are established for each grade level.
- Ranges are established based on comparison of benchmark jobs to market data.
- Both economic and competitive considerations are major factors used to revise salary ranges.

Pay for Performance

- Dollar Spread in the Salary Range provides flexibility to recognize different levels of performance and experience.
- Formal performance evaluation is made at least annually.

How It Works

Job Evaluation

- Two methodologies are employed:
 - Classification Criteria used for 700 and 100 Series.
 - Quantitative Method (Hay System) used for other Series. Relates jobs to each other based on Know-How, Problem-Solving, and Accountability.
 - Future goal is to develop Classification Criteria for other Pay Series.

How It Works

Competitive Pay

Based on contractual agreement:

- Base and non-base compensation and salary range midpoint values are measured against the average base and non-base compensation of the market data.
- Seventeen salary surveys, as approved by the Department of Energy, are used in the pricing analyses that requires Board of Governors' approval.
- Market data is projected six months beyond effective date of salary ranges.

Market Pricing

- A “survey of surveys” was conducted among the national labs.
- The Hewitt R&D Survey is the most widely used for pricing scientists & engineers compensation.
- ANL uses the Hewitt data along with four other market sources.
- Hewitt R&D Survey covers 45 organizations representing 59,000 incumbents.

Hewitt R&D Survey Participants

Aerospace	Corning	Jet Propulsion Lab	MIT Lincoln Lab	Satcon Technology
Alcatel USA	Draper Lab	John Hopkins Applied Physics Lab	Maxwell Physics	Shlumberger DOLL
Alphatech	General Atomics	Knolls Atomic Power Lab	Mitretek Systems	Seagate Tech.
Argonne	General Motors	Lawrence Berkeley	NEC Research Inst.	Siemens Corporate Research
Avaya, Inc.	HRL Labs	Lawrence Livermore	Phillips Research	Southwest Research
Boeing	Honeywell	Logistics Mgmt Inst.	Rand	Telcordia
Brookhaven	IBM	Los Alamos	Rockwell Science	Thomas Jefferson Lab
CNA Corp	INEEL	Lubrizol	SBC Comm.	USC Information Sciences
Compaq	Inst for Defense Analyses	Lucent	Sandia	UT Battelle, Oak Ridge

How It Works

Pay for Performance

- Determining factors for merit fund include difference to market, trends in the marketplace and the Laboratory's ability to pay.
- Merit Program completed on a 12 month cycle.
- Merit dollars are allocated based on payroll.
- Merit Increase guidelines are predicated on performance and salary position within the salary range.

March 2002 Actual Merit Increase Distribution

All Employees

Performance Level	Quartile Position in Salary Range			
	Q1	Q2	Q3	Q4
5	5.5%	5.1%	4.7%	4.2%
4	4.6%	4.2%	3.9%	3.5%
3	3.7%	3.4%	3.0%	2.7%
2	.2%	.2%	0%	0%
1	0%	0%	0%	0%

Other Fund Authorities

In addition to the Annual Merit Fund, the Laboratory administers:

- Promotion/Adjustment Fund
- Critical Skills Fund
- Adjustment to Minimum Fund
- Annual Performance Bonus

Promotion/Adjustment Fund

- Amount is determined by Management Council
 - considering prior years' actual experience,
 - projecting the future year's need, and
 - determining affordability.
- The FY2002 Fund is .6% of payroll.
- Promotion: An assignment of an employee to a position within a higher graded level.
- Adjustment: An increase in salary as a result of special circumstances; considered equity increase.

Critical Skills Fund

- Amount is determined by Management Council considering turnover and market data.
- The FY2002 is .45% of payroll.
- Sole purpose is to recruit and retain individuals who possess “critical” knowledge or “critical” skills for which the Laboratory has experienced difficulty in recruitment and/or retention.

Adjustment to Minimum Fund

- Derived by calculating the amount necessary to raise salaries to the minimums of the revised salary ranges.
- These adjustments are granted during the Merit Review process.
- The FY2002 Fund is .02% of payroll.

March 2002 Performance Bonus

- Actual bonus distributions are in line with published guidelines.
- 23% of the eligible population received a bonus.
- Bonuses averaged 3% of base salary.
- 67% of highest rated employees received an average bonus of 3.6%.

Compliance Issues

Federal/State	University of Chicago	Department of Energy
<ul style="list-style-type: none">• Federal Labor Law<ul style="list-style-type: none">• Fair Labor Standards Act• Civil Rights• State Law• Federal Laws Flowing from Contractor Status	<p>Annually reviews and approves:</p> <ul style="list-style-type: none">• Compensation Increase Plan (includes salary structure adjustments and all fund amounts).• Special Skills Program• Salaries and bonuses for the Key Executives.	<ul style="list-style-type: none">• Compensation Program certified on 2/8/2002.• Approves salaries and bonuses for the Key Executives.• Appendix A contains elements to be followed in developing Compensation Increase Plans

Other Compensation Elements included in the Self- Assessment

- Planning and Monitoring the Expenditure of Funds
- System for Communicating Programs to Employees
- System for Internal Controls and Self-Assessment

WWW Links to Compensation Information

The following documents can be found at the HR Compensation Home Page:

<http://www.hr.anl.gov/compensation/>

- *Dollars and Sense of Compensation*
- *Science and Engineering Careers Brochure*
- *100 Series Non-Exempt Service and Administrative Careers Brochure*
- *Critical Skills Policy*
- *Overview of Compensation (Presentation)*